



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

August 1, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

State Budget

According to our Sacramento advocates, the current rumor in the State Capitol is that there is an agreement between the Senate leadership and the Governor that he will exercise his line item veto in the amount of \$300 million, and that there will be additional unspecified unallocated reductions over and above the \$300 million level. Other sources indicate that there may not be a deal. At this point, the Senate is scheduled to convene at 6:00 p.m.

State Controller's Statement on Unpaid Bills Resulting from Budget Impasse

Yesterday, State Controller John Chiang issued the attached press release explaining that his office will not be able to pay an estimated \$1.1 billion for the month of July to community colleges, special education programs, nursing homes, small businesses and others, as a result of the State Budget impasse. The Controller also noted that if the budget stalemate continues, an additional \$2.1 billion in payments will be withheld for the month of August.

Each Supervisor
August 1, 2007
Page 2

For the most part, without an enacted budget, the Controller's Office may only make payments that are authorized under the State Constitution, continuous legislative appropriations, or in compliance with Federal laws. According to a preliminary review by the California State Association of Counties, some of the county-operated programs which may be affected include Adult Protective Services, County Services Block Grant, Community Care Licensing, and some State-funded foster care and mental health programs among others. In addition, the Controller points out that if the budget is not enacted in August, his office will not disburse \$100 million from the Highway User Tax to cities and counties for local street and road maintenance and repairs.

We will continue to analyze and monitor actions relating to the month-old State Budget impasse and keep you advised.

WTF:SRH:GK
MAL:MR:acn

Attachment

c: All Department Heads
Legislative Strategist
Local 660
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

CONTROLLER JOHN CHIANG

STATE OF CALIFORNIA

Attachment

300 Capitol Mall
Sacramento, CA 95814
916.445.2636
www.controller.ca.gov

PR07:034

FOR IMMEDIATE RELEASE:
JULY 31, 2007

CONTACT: HALLYE JORDAN
916-445-2636

Controller Unable to Pay Estimated \$1.1 Billion In July Due to Budget Impasse

Another \$2.1 Billion Projected to be Withheld in August, Absent a State Budget

SACRAMENTO – State Controller John Chiang today said the lack of a state budget prohibited him from paying an estimated \$1.1 billion in July to community colleges, special education programs, nursing homes, cancer detection programs and small businesses that provide services to the State. Based on last year's payments, he predicts he will be forced to withhold another \$2.1 billion in August if the budget impasse continues.

"This is real money, owed to real people and real programs," Chiang said. "Some have been able to weather the non-payments by raiding their savings accounts, or taking out loans. But we're getting to the dangerous point where the lack of these funds is going to have a detrimental effect on individuals and programs."

Without a budget in place for the fiscal year that started July 1, the Controller this month was legally prohibited from paying \$326.6 million to community colleges, \$170 million to school districts for categorical programs such as special education and remedial summer school; and \$140 million to vendors who provide food, paper products and supplies to the State.

He has been forced to withhold \$300 million in child development program funds that go to schools and private pre-school and day care programs under contract with the Department of Education.

If no budget is enacted in August, the Controller will be unable to disburse \$100 million from the highway tax, collected in July that is scheduled to be sent at the end of August to cities and counties for local street and road maintenance and repairs.

Although he is authorized to make Medi-Cal payments to nurses, doctors and pharmacists who directly bill Medi-Cal, the Controller does not have the legal authority to pay institutions, such as hospitals, nursing homes, managed health care plans, clinics and regional centers. During previous no-budget times, those institutions have relied on a \$1 billion General Fund contingency fund to tide them over. However, the Department of Health Care Services last week said the contingency fund is depleted, and DHCS will be unable to pay \$227 million to hospitals this week.

--More--